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RESEARCH

Weekly insight – April 6, 2026

GLOBAL AFFAIRS REPORT

US-Israel-Iran Conflict: Energy Shock & Market Implications on African Markets – March 2026

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Frontier Axis Global Affairs Report

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The US-Israel-Iran escalation represents the largest energy supply shock since 2022 and is likely to structurally reprice emerging market risk premiums over the next 2 quarters. The tensions (commencing February 28, 2026) have catalyzed a global energy crisis. The total closure of the Strait of Hormuz—the conduit for 25% of global oil and 20% of (liquified natural gas) LNG trade—has removed approximately 20 million barrels per day (b/d) from the market. This supply shock drove Brent crude to a mid-March peak of ~$126/bbl, with analysts now forecasting a surge to ~$150/bbl as global spare capacity (currently ~4 million b/d) fails to offset the net 14.5 million b/d deficit

1. Energy Market Disruption

1.1 Crude Oil – Sustained Volatility and $150 Risk:

- **Current Pricing:** Brent crude is trading at ~$115.48 per barrel as of March 30, 2026, a 48.5% increase over the past month.
- **Supply Deficit:** The International Energy Agency (IEA) reports a global supply shock of 20 million barrels per day (b/d) due to the Hormuz blockade, with only 3.5–5.5 million b/d by passable via alternative pipelines.
- **Price Forecasts:** Analysts from Societe Generale and Goldman Sachs warn that if the blockade persists through April, prices could spike toward $150/bbl, as global spare capacity (currently ~4 million b/d) is insufficient to cover the net 14.5 million b/d shortfall.

1.2 LNG & Refined Products – Industrial and Agricultural Strain:

- **Gas Benchmark Spikes:** European Dutch TTF gas prices surged to ~€54.53/MWh by late March, a 22.5% monthly rise, following Qatar Energy’s declaration of force majeure on exports.
- **Infrastructure Damage:** Strikes on Qatar’s Ras Laffan complex has knocked out roughly 17% of its LNG capacity, with repairs estimated to take 3–5 years.
- **Refined Product Costs:** Strikes on Gulf refineries, including Saudi Arabia’s Ras Tanura, have sent global heating oil prices up 101% year-over-year. Global fertilizer costs have surged by 34%, threatening long-term food security.

1.3 Logistics & Trade Costs – The "Cape of Good Hope" Premium:

- **Transit Delays:** Rerouting around the Cape of Good Hope (South Africa) adds 10+ days to voyages, incurring approximately $1 million in additional fuel costs per trip.
- **Insurance & Surcharges:** War-risk insurance premiums for the Gulf and Oman have surged five-fold, with many insurers withdrawing coverage entirely for "high-risk" maritime areas.
- **Carrier Response:** Major shipping firms like Maersk have suspended all Hormuz crossings, passing a 30% fuel surcharge onto consumers to offset rising operational overhead.

2. Global Equity Market Context

2.1 Regional Performance – Divergence Driven by Energy Dependency:

- **U.S. Resilience**: U.S. equities have demonstrated relative stability, with the **S&P 500 falling approximately 5% year-to-date**. Investors have leveraged the U.S. position as a net energy exporter, frequently "buying the dip" during temporary de-escalation signals.
- **European Correction**: The pan-European **STOXX 600** has officially entered correction territory, dropping **12% from its recent highs**. The index is highly sensitive to the **€60+/MWh spike** in Dutch TTF gas prices caused by the Qatari LNG force majeure.
- **Asian Vulnerability**: Export-heavy and energy-poor markets have seen the sharpest declines. Japan's **Nikkei 225** and South Korea's **KOSPI** plummeted by **3.5% and 6.5% respectively** in single-day sell-offs following the Hormuz blockade.

2.2 Sector Divergence – Winners and Losers:

- **Strategic Winners**:
  - **Defense & Aerospace**: European rearmament and urgent U.S. military procurement have driven outsized gains; **Rolls-Royce** reported 40% year-on-year earnings **increase** in March.
  - **Energy & LNG**: Global energy firms (e.g., **Valero**, up **5.8%**) remain the primary beneficiaries of the supply-driven price shock.

- **Systemic Losers**:
  - **Aviation & Logistics**: Sector stocks have extended declines as Middle Eastern airspace closures and **140% surges in jet fuel** prices force near-total cessations of regional operations.
  - **Consumer Discretionary**: Retail and automotive sectors (e.g., **Honda**, forecasting its first annual loss in decades) are under

extreme pressure as 30% industrial surcharges and rising fuel costs erode global purchasing power.
   - **Tech Volatility**: Cash-rich firms like **Nvidia** and **Microsoft** initially served as safe havens, but the sector has since faced correction-level pressure (Nasdaq down **10%+**) due to rising bond yields and supply chain concerns.

3. Emerging Market Analysis: Africa Focus

3.1 Nigeria – The Atlantic Strategic Hedge:

- **Market Decoupling**: The **NGX All-Share Index** has gained **4.2% in March 2026**, significantly outperforming the MSCI Emerging Markets Index (-8%). Nigeria's "Atlantic Advantage" allows its **1.6 million b/d** production to reach European and American markets without entering the contested Persian Gulf.
- **Fiscal Windfall**: With Brent averaging **$115.48/bbl** (vs. a $64.90 budget benchmark), Nigeria is generating a daily surplus of **$81 million**.
   - **$130/bbl Projection**: If prices hit $130, the projected **₦30.21 trillion windfall** would provide **115% coverage** of the 2026 debt-servicing obligations, potentially triggering a sovereign credit rating upgrade.
- **Refinery Shield**: The **Dangote Refinery** now meets **68% of domestic PMS demand**, insulating the economy from the **140% spike in global refined product costs**. This has mitigated roughly **8.2 percentage points** of potential "imported inflation."
   - **Monetary Stability**: Gross reserves have climbed to **$44.2 billion**, supporting a localized Naira appreciation toward **₦1,250/USD**, providing a rare buffer against the global "dollar wrecking ball."

3.2 Southern Africa – South Africa's Volatility:

- **Equity Contraction**: The **JSE All Share Index** remains down **7.8%** since the February 28 escalation. The "Bloody Tuesday" crash underscored the vulnerability of the Rand, which has depreciated to **R19.85/USD**.
- **Monetary Tightening**: The **South African Reserve Bank (SARB)** has abandoned plans for a 25bps cut, explicitly stating that rates will be "unchanged for a longer period of time " at the 6.75% repo rate to counter a **0.9 percentage point** jump in headline inflation.
- **Nuclear Pivot**: Shares in uranium-linked miners have surged **22%** this month as the EU fast-tracks small modular reactor (SMR) deployments to bypass Middle Eastern LNG.

3.3 Regional "Winner-Loser" Bifurcation:

- **The Mediterranean Shield**: **Algeria and Libya** have seen a **15% increase in export revenue** due to direct pipeline connectivity to Italy and Spain, mirroring Nigeria's windfall profile.

- **The East African "Double Deficit"**: **Kenya** is facing a liquidity crunch; the **Central Bank of Kenya (CBK)** hiked rates to **13.5%** in a mid-March emergency session to defend the Shilling.
- **Subsidy Breaking Point**: **Egypt and Morocco** face a fiscal dilemma: maintaining energy subsidies is costing an additional **$450 million per month**, threatening to blow out deficit targets agreed upon with the IMF.

3.4 Critical Fragility & The "Hunger Gap":

- **Logistical Hyperinflation**: In landlocked **Ethiopia and Zimbabwe**, the **30% maritime fuel surcharge** translates to a **45% increase** in the landed cost of goods. Food inflation in these regions is tracking at **60% annualized** for March.
- **The Fertilizer Cliff**: The halt of **30% of global urea exports** from the Gulf has seen local fertilizer prices in **Tanzania and Malawi** spike by **55%**. Without emergency intervention, crop yields for the 2026/27 season are projected to fall by **20–25%**, raising the specter of a regional famine by Q4.

4. Investor Takeaways

- **Emerging Market Differentiation:** Atlantic-facing energy exporters, including Nigeria and Angola, have benefited from favorable supply routes and higher oil prices, while East African markets face inflation and liquidity challenges.
- **Energy & Defense Allocation:** LNG and defense technology sectors have experienced relative gains amid supply disruptions and increased military procurement.
- **Currency Hedging:** Currency movements, including USD appreciation, have affected emerging market FX reserves and local liquidity conditions.
- **Long-term Pivot:** The current energy shock may accelerate global interest in nuclear energy and demand for uranium and critical minerals in Australia and Africa.